

SENATE BILL NO. 10

INTRODUCED BY J. COBB

A BILL FOR AN ACT ENTITLED: "AN ACT SUSPENDING THE ANNUAL GROWTH RATE FACTOR FOR LOCAL GOVERNMENT ENTITLEMENT SHARE PAYMENTS THROUGH THE BIENNIUM ENDING JUNE 30, 2005; AMENDING SECTION 15-1-121, MCA; REQUIRING A THREE-FIFTHS VOTE FOR PASSAGE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- appropriation. (1) The amount calculated pursuant to this subsection is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

(b) vehicle and boat taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-321;

(v) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001, and 61-3-537; and

(vi) Title 61, chapter 3, part 7;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-1-1103;

- 1 (iv) 25-9-506;
2 (v) 25-9-804; and
3 (vi) 27-9-103;
4 (e) certificate of ownership fees for manufactured homes pursuant to 15-1-116;
5 (f) financial institution taxes pursuant to Title 15, chapter 31, part 7;
6 (g) coal severance taxes allocated for county land planning pursuant to 15-35-108;
7 (h) all beer, liquor, and wine taxes pursuant to:
8 (i) 16-1-404;
9 (ii) 16-1-406; and
10 (iii) 16-1-411;
11 (i) late filing fees pursuant to 61-3-201;
12 (j) title and registration fees pursuant to 61-3-203;
13 (k) disabled veterans' flat license plate fees and purple heart license plate fees pursuant to 61-3-332;
14 (l) county personalized license plate fees pursuant to 61-3-406;
15 (m) special mobile equipment fees pursuant to 61-3-431;
16 (n) single movement permit fees pursuant to 61-4-310;
17 (o) state aeronautics fees pursuant to 67-3-101; and
18 (p) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
19 chapter 1, part 5.

20 (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall
21 deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court
22 expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by
23 the state in fiscal year 2002.

24 (b) The amount estimated pursuant to subsections (1) and (2)(a) is each local government's base year
25 component. The sum of all local governments' base year components is the base year entitlement share pool.

26 (3) (a) Beginning with fiscal year ~~2002~~ 2006 and in each succeeding fiscal year, the base year
27 entitlement share pool, increased by the fiscal year 2002 growth rate, must be increased annually by a growth
28 rate as provided for in this subsection (3). ~~The amount determined through the application of annual growth rates~~
29 ~~is the entitlement share pool for each fiscal year. For fiscal years 2002 and 2003, the growth rate is 3%.~~
30 Beginning with calendar year 2004, by October 1 of each even-numbered year, the department shall calculate

1 the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

2 (i) The department shall calculate the average annual growth rate of the Montana gross state product,
3 as published by the bureau of economic analysis of the United States department of commerce, for the following
4 periods:

5 (A) the last 4 calendar years for which the information has been published; and

6 (B) the 4 calendar years beginning with the year before the first year in the period referred to in
7 subsection (3)(a)(i)(A).

8 (ii) The department shall calculate the average annual growth rate of Montana personal income, as
9 published by the bureau of economic analysis of the United States department of commerce, for the following
10 periods:

11 (A) the last 4 calendar years for which the information has been published; and

12 (B) the 4 calendar years beginning with the year before the first year in the period referred to in
13 subsection (3)(a)(ii)(A).

14 (b) (i) For fiscal year ~~2004~~ 2006 and subsequent fiscal years, the entitlement share pool growth rate for
15 the first year of the biennium must be the following percentage of the average of the growth rates calculated in
16 subsections (3)(a)(i)(B) and (3)(a)(ii)(B):

17 (A) for counties, 54%;

18 (B) for consolidated local governments, 62%; and

19 (C) for incorporated cities and towns, 70%.

20 (ii) The entitlement share pool growth rate for the second year of the biennium must be the following
21 percentage of the average of the growth rates calculated in subsections (3)(a)(i)(A) and (3)(a)(ii)(A):

22 (A) for counties, 54%;

23 (B) for consolidated local governments, 62%; and

24 (C) for incorporated cities and towns, 70%.

25 (4) As used in this section, "local government" means a county, a consolidated local government, an
26 incorporated city, and an incorporated town. A local government does not include a tax increment financing
27 district provided for in subsection (6). For purposes of calculating the base year component for a county or
28 consolidated local government, the department shall include the revenue listed in subsection (1) for all special
29 districts within the county or consolidated local government. The county or consolidated local government is
30 responsible for making an allocation from the county's or consolidated local government's share of the

entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources listed in subsection (1).

(5) (a) The entitlement share pools calculated in this section and the block grants provided for in subsection (6) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool. The distributions must be made on a quarterly basis beginning September 15, 2001.

(b) (i) For fiscal year 2002, the growth amount is the difference between the fiscal year 2002 entitlement share pool and the base year entitlement share pool. For fiscal year ~~2003~~ 2006 and each succeeding fiscal year, the growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be calculated separately for:

(A) counties;

(B) consolidated local governments; and

(C) incorporated cities and towns.

(ii) In each fiscal year, the growth amount for counties must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each county's percentage of the base year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the base year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the base year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount is distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(vi) For fiscal year 2002, an amount equal to the district court costs identified in subsection (2) must be added to each county government's distribution from the entitlement share pool.

(6) (a) If a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any block grant. If a tax increment financing district referred to in subsection (6)(b) terminates, then the block grant provided for in subsection (6)(b) terminates.

(b) One-half of the payments provided for in this subsection (6)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection (6)(a), the entitlement share for tax increment financing districts is as follows:

Cascade	Great Falls - downtown	\$468,966
Deer Lodge	TIF District 1	3,148
Deer Lodge	TIF District 2	3,126
Flathead	Kalispell - District 1	758,359
Flathead	Kalispell - District 2	5,153
Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
Lewis and Clark	Helena - # 2	731,614
Missoula	Missoula - 1-1B & 1-1C	1,100,507
Missoula	Missoula - 4-1C	33,343

1	Silver Bow	Butte - uptown	283,801
2	Yellowstone	Billings	436,815

3 (c) The entitlement share for industrial tax increment financing districts is as follows:

4 (i) for fiscal years 2002 and 2003:

5	Missoula	County Airport Industrial	\$4,812
6	Silver Bow	Ramsay Industrial	597,594;

7 (ii) for fiscal years 2004 and 2005:

8	Missoula	County Airport Industrial	\$2,406
9	Silver Bow	Ramsay Industrial	298,797; and

10 (iii) \$0 for all succeeding fiscal years.

11 (d) The entitlement share for industrial tax increment financing districts referred to in subsection (6)(c)
 12 may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a
 13 guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the
 14 tax increment financing industrial district.

15 (e) One-half of the payments provided for in subsection (6)(c) must be made by July 30, and the other
 16 half must be made in December of each year.

17 (7) The estimated base year entitlement share pool and any subsequent entitlement share pool for local
 18 governments do not include revenue received from countywide transportation block grants or from countywide
 19 retirement block grants.

20 (8) The estimates for the base year entitlement share pool in subsection (1) must be calculated as if
 21 the fees in Chapter 515, Laws of 1999, were in effect for all of fiscal year 2001.

22 (9) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(p) is significantly
 23 reduced, except through legislative action, the department shall deduct the amount of revenue loss from the
 24 entitlement share pool beginning in the succeeding fiscal year and the department shall work with local
 25 governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of
 26 revenue.

27 (b) For the purposes of subsection (9)(a), a significant reduction is a loss that causes the amount of
 28 revenue received in the current year to be less than 95% of the amount of revenue received in the base year.

29 (10) A three-fifths vote of each house is required to reduce the amount of the entitlement share
 30 calculated pursuant to subsections (1) through (3).

(11) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

(12) A local government may appeal the department's estimation of the base year component, the entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211."

NEW SECTION. Section 2. Three-fifths vote required. Because [section 1] reduces the calculated entitlement share of local government payments in 15-1-121(3), 15-1-121(10) requires a three-fifths vote of the members of each house of the legislature for passage.

NEW SECTION. Section 3. Effective date. [This act] is effective on passage and approval.

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